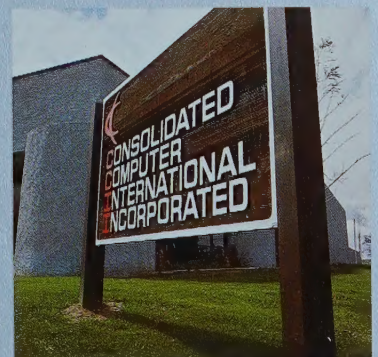


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**CONSOLIDATED
COMPUTER** INC.

Annual Report 1978

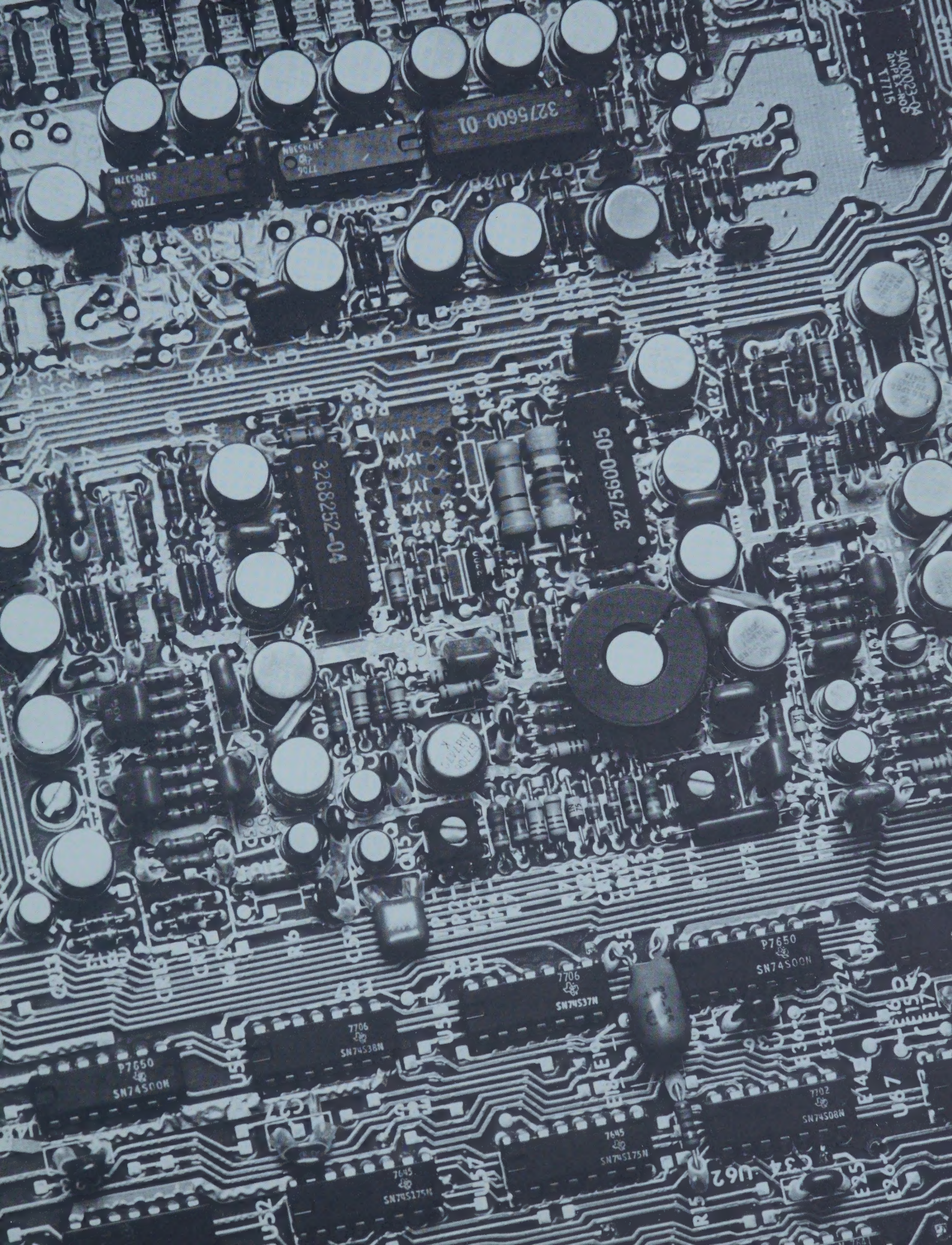


COVER PICTURES:

To meet the needs of its expanding business, Consolidated Computer recently moved the headquarters of its U.S. operations to a new plant in Phoenix, Arizona.

PICTURE OPPOSITE:

Phenomenal advances in integrated circuit technology have facilitated the development of KEY-EDIT® systems which have almost unbelievable levels of data entry/data handling sophistication.



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P7650
SN74S00N

7706
SN74S38N

7706
SN74S37N

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SN74S00N

7702
SN74S08N

7645
SN74S175N

7645
SN74S175N

Our Business

Consolidated Computer Inc. manufactures and markets a wide range of electronic systems which are used to enter data into computer data processing systems. These CCI products are used by corporations, government agencies and institutions to efficiently handle the massive amounts of information that are required as input to large computers in order to calculate payrolls, control inventories, generate billings and perform an almost infinite variety of other tasks. During the past 10 years the Company has sold systems involving 20,000 individual data entry terminals. In addition to installations across the U.S. and Canada, systems manufactured by Consolidated Computer have been utilized in installations in almost every part of the world.

Consolidated Computer data entry systems are designated by trade name KEY-EDIT®. Originally, when the Company was founded in 1968, KEY-EDIT® systems were designed solely for use in centralized data processing computer installations as replacements for key punches. Since KEY-EDIT® systems eliminated the use of punched

cards for data entry by placing the data directly onto a magnetic storage medium — and did this “off-line” without involving the use of very costly time on the centralized computer system — KEY-EDIT® systems provided much more efficient data entry than was previously available. In the 1970's, utilizing the phenomenal technological advances that were being made in integrated circuit electronics, new KEY-EDIT® data entry systems were developed that did not cost more than comparable previous models but which, in addition to yet performing the data entry function for which they were intended, took over many of the data manipulation tasks that previously had to be carried out at greater cost on the computer. Today, models of KEY-EDIT® systems are available at costs which are low relative to alternative methods of data entry and which range from basic data entry systems all the way up to almost unbelievable levels of data entry/data handling sophistication.

In the highly competitive business area commonly called “the computer industry”, even companies which would be

measured as large in many other areas of commerce seem small by comparison to the giant computer manufacturers. Yet, in this environment, Consolidated Computer has been able to establish itself as a profitable corporation by specializing in a particular segment of the market which complements, as opposed to primarily competes with, the area of business dominated by the major computer manufacturers. Unlike companies which have attempted to compete on a broad front, Consolidated Computer Inc. has concentrated on and remained dedicated to the area of efficient “off-line” data entry and data handling.

PICTURE OPPOSITE:

Keyboards are the most commonly used method for the entry of computer data. On KEY-EDIT® equipment, the interfaces between the operator and the system have been carefully engineered with respect to the human factors of the operator's job.



Our Products

Consolidated Computer KEY-EDIT® data entry systems typically consist of a number of data entry terminals (each with a keyboard and video display screen) connected to a magnetic disk storage unit through a central processor. The operation of the system is controlled from a supervisor's console which is also connected to the central processor. A number of pieces of optional equipment including card readers, printers, etc. can also be connected to the system. In operation, data is entered via the data terminal keyboards. This data is processed in the system's central processor and then stored on the magnetic disk for subsequent use as the data input to a large scale computer system.

The KEY-EDIT® 60 system utilizes 4 to 20 data entry terminals. It is designed for small to medium size users. Data can be entered into the system simultaneously from all terminals. In addition to being a replacement for keypunches for data entry, the KEY-EDIT® 60 has the capability of performing data processing that previously had to be done on the computer. Extensive options allow the KEY-EDIT® 60 to be used as a Remote Job Entry (RJE) terminal to mainframe computers. The KEY-EDIT® 80 is basically a 2-terminal system, complete with high speed telecommunications for RJE operation, which is designed for applications that are less demanding than those satisfied by the KEY-EDIT® 60.

The KEY-EDIT® 1000 is a very sophisticated high-volume keyboard-to-disk system designed for the larger user. Its high-speed central processing unit can simultaneously provide

data handling and data entry from as many as 56 keyboard data entry terminals. Data can be entered locally or remotely via dialed telephone lines. Further, the KEY-EDIT® 1000 can communicate with mainframe computer systems.

The KEY-EDIT® 90 is a new CCI product. It is a low-cost data entry system designed for low-volume applications. The KEY-EDIT® 90 allows a user to start small and upgrade as required all the way up to the level of the powerful Series 2 Model 2024 system.

In addition to keyboard-type data entry systems, Consolidated Computer also markets systems with optical character reader input units.

SERIES 2 DATA ENTRY SYSTEMS

KEY-EDIT® Series 2 is a new family of data entry systems with capabilities ranging from basic data entry to the complex operations of a full network of terminals. The KEY-EDIT® 2000 is a low-cost yet powerful introductory data entry system which combines keyboard data entry with remote batch terminal communications capabilities. The KEY-EDIT® 2022 is a communications oriented system with extensive remote batch terminal communications capabilities in addition to being able to handle the basic data entry functions. The most powerful member of the Series 2 family is the KEY-EDIT® 2024. This highly-sophisticated system is used for applications involving transaction-oriented data collection at local or remote locations in operating departments plus file enquiry and update, data entry and data

communications. KEYFILE, the file management system implemented on the KEY-EDIT® 2024, is one of the most outstanding features of this new system. It provides the users at multiple remote terminals with a means to store, update and retrieve large data files. All KEY-EDIT® Series 2 systems feature modular designs which can be expanded to meet the user's changing requirements for data entry/data handling equipment.

"INTELLIGENT" TERMINALS

Two exciting new Series 2 products have recently been introduced by the Company. These are the KEY-EDIT® 22 and KEY-EDIT® 24 "Intelligent" Data Entry Terminals. Although configured as data entry terminals, each unit is actually a high-sophisticated self-contained complete data entry system with built-in floppy-disk memory units and a powerful mini-computer processor. The KEY-EDIT® 22 is a single-station model while the 24 features dual operator positions. Applications for these new "intelligent" terminals include data entry, billing, enquiry, order entry, remote job entry and many other functions.

PICTURE OPPOSITE:

Mass storage of data on the new Series 2 KEY-EDIT® 22 and 24 Terminals is provided by standard 243K byte floppy disks.



President's Report

FINANCIAL HIGHLIGHTS

Sales were up 22.5% in 1978 to \$23,046,844 from \$18,812,471 in 1977. Net Earnings for 1978 were \$613,899 as compared to \$418,190 for 1977 — an increase of 46.8%. The backlog of orders at the end of 1978 was approximately \$7 million.

In 1978, Consolidated Computer obtained an additional line of credit of \$30,000,000 under the purchase agreement with the leasing company. Also during 1978, the Company negotiated an additional \$1,000,000 line of credit with the Toronto-Dominion Bank, thereby providing the Company with increased operating funds.

SERIES 2 PRODUCT LINE INTRODUCED

KEY-EDIT® Series 2 data entry systems were successfully introduced in 1978. In development since 1976, these products — comprising Models 2000, 2022 and 2024 — have considerably strengthened the Company's competitive position in the marketplace. Response to date has been most favorable.

FUJITSU RELATIONSHIP

As reported in previous Annual Reports, an agreement was consummated in March, 1977 between Consolidated Computer Inc. and Fujitsu Limited of Japan. The first new products resulting from this agreement, the KEY-EDIT® 22 and 24 intelligent terminals, were introduced to the North American marketplace during 1978. These terminals were developed as a joint effort between the two companies.

CANADIAN OPERATIONS

In manufacturing, the Company continued the production policies that proved successful in the previous year. As is required in this dynamic high-technology industry, investment in research and development of new software and hardware systems was substantial during 1978.

In the area of marketing, one of the most significant contracts signed was one to supply terminals for the new Province of Ontario lottery "LOTTARIO". This contract will provide a considerable amount of production work for the Ottawa

plant well into 1979.

CCI systems installed in Canada during 1978 added to the solid position which Consolidated Computer has built for itself as this country's foremost data entry equipment manufacturer. Among the many users of KEY-EDIT® equipment in Canada are Air Canada, the Bank of Canada, Blackwood-Hodge, B.C. Telephone Co., Canada Cement, Canada Permanent Trust, Grafton-Fraser, Bell Canada, Reitman's, the Saskatchewan Wheat Pool, Supply and Services Canada, the University of Western Ontario and numerous other companies, institutions and government agencies.

U.S. OPERATIONS

During the year the Company placed strong emphasis on the American market. Sales in the U.S. in 1978 were \$10.6 million. A large number of new installations were made and contracts signed including such major ones as Wells Fargo in San Francisco, the State of Arizona, Tax Corporation of America, Cloverland Farms, Telcom, the



Pennsylvania Bureau of Financial Management, the Texas Employment Commission and others. These add to the already long list of CCI installations across the U.S. including such users as Avis, General Electric, Hertz, Illinois State Toll Highway, Independent Tax Corporation, Life of Georgia, Maricopa Hospital, New England Grocers, Sikorsky Aircraft, Standard Oil, State of California Controller's Office, University of California, the U.S. Dept. of Justice and many more. This wide spectrum of user installations evidences the growing acceptance of the Company's products in the very competitive U.S. marketplace.

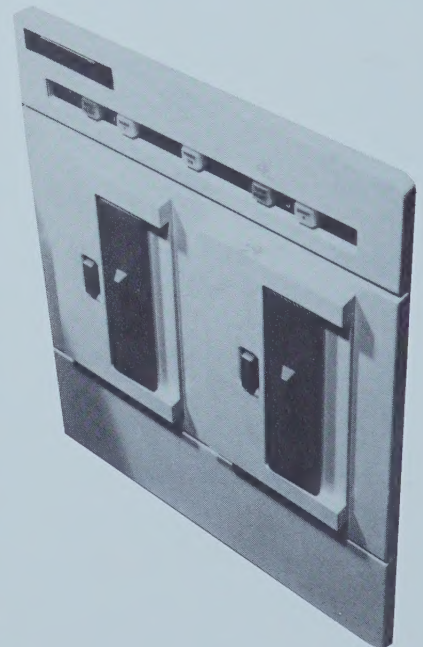
To meet the needs of its expanding business, Consolidated Computer moved the headquarters of its U.S. operations to a new plant located in Phoenix, Arizona. In addition, the management of the

Company's U.S. subsidiary, Consolidated Computer International Inc., was strengthened. Evan Pennick was appointed Vice President and General Manager. Consolidated Computer now has approximately 115 employees in the U.S., branches in Atlanta, Boston, Chicago, Cleveland, Columbus, Dallas, Houston, Los Angeles, New York, Philadelphia, Phoenix, San Francisco and Washington, D.C. plus several other service locations.

A handwritten signature in dark ink, reading "L.K. Sellmeyer".

L.K. SELLMAYER
President and
Chief Executive Officer

The new KEY-EDIT® 22 and 24 Intelligent Terminals are actually highly-sophisticated self-contained complete data entry systems.



CONSOLIDATED BALANCE SHEET

As at December 31, 1978

ASSETS

	1978 \$	1977 \$
CURRENT ASSETS		
Cash and term deposits	24,512	32,164
Accounts receivable — trade	9,800,620	2,976,075
— other	1,133,127	1,042,451
Due from Ontario Development Corporation	247,805	—
Notes receivable — trade	684,084	2,770,985
Inventories (notes 1 and 2)	9,860,169	7,587,162
Prepaid expense	179,002	201,511
	<u>21,929,319</u>	<u>14,610,348</u>
NOTES RECEIVABLE — TRADE	—	684,084
FIXED ASSETS [notes 1 and 3]	<u>948,941</u>	<u>1,190,703</u>
	<u><u>22,878,260</u></u>	<u><u>16,485,135</u></u>

LIABILITIES

	1978 \$	1977 \$
CURRENT LIABILITIES		
Bank loans and advances (note 4)	11,534,589	5,418,489
Accounts payable and accrued liabilities	5,851,566	2,957,395
Due to Ontario Development Corporation	—	288,485
Notes payable	684,084	2,770,985
Taxes payable	297,929	215,146
Current portion of long-term debt	1,254,358	254,358
	<u>19,622,526</u>	<u>11,904,858</u>
LONG-TERM DEBT , less current portion (note 5)	4,445,063	5,699,421
NOTES PAYABLE	—	684,084
Total liabilities	<u>24,067,589</u>	<u>18,288,363</u>

DEFICIT LESS CAPITAL STOCK

DEFICIT	<u>24,341,123</u>	<u>24,955,022</u>
CAPITAL STOCK [note 6]		
Special shares	841,571	957,565
Common shares	<u>22,310,223</u>	<u>22,194,229</u>
	<u>23,151,794</u>	<u>23,151,794</u>
	<u>(1,189,329)</u>	<u>(1,803,228)</u>
	<u>22,878,260</u>	<u>16,485,135</u>

ON BEHALF OF THE BOARD

Director



Director

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the year ended December 31, 1978

	1978 \$	1977 \$
NET SALES, RENTALS AND SERVICES	23,046,844	18,812,471
COST OF SALES, RENTALS AND SERVICES	12,537,088	11,061,677
	10,509,756	7,750,794
EXPENSE		
Marketing, administrative and other	7,634,736	5,627,444
Research and development	1,673,612	1,876,160
Government grants	(806,836)	(1,193,296)
Interest on long-term debt	599,196	569,006
Interest on short-term borrowings (net)	795,149	453,290
	9,895,857	7,332,604
NET EARNINGS BEFORE INCOME TAXES	613,899	418,190
PROVISION FOR INCOME TAXES	186,000	75,000
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEM	427,899	343,190
EXTRAORDINARY ITEM		
Reduction of income taxes on application of prior years' losses	186,000	75,000
NET EARNINGS FOR THE YEAR	613,899	418,190
DEFICIT — BEGINNING OF YEAR	24,955,022	25,373,212
DEFICIT — END OF YEAR	24,341,123	24,955,022
EARNINGS PER COMMON SHARE		
Earnings before extraordinary item	\$.02	\$.02
Net earnings for the year	\$.03	\$.02

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1978

	<u>1978</u> \$	<u>1977</u> \$
SOURCE OF WORKING CAPITAL		
Earnings for the year before extraordinary item	427,899	343,190
Item not affecting working capital —		
Depreciation	346,385	313,676
Provided from operations	774,284	656,866
Extraordinary item	186,000	75,000
Reduction of long-term notes receivable	684,084	2,770,985
	<u>1,644,368</u>	<u>3,502,851</u>
USE OF WORKING CAPITAL		
Reduction of long-term notes payable	684,084	2,770,985
Purchase of fixed assets	104,623	110,275
Reduction of long-term debt	1,254,358	254,358
	<u>2,043,065</u>	<u>3,135,618</u>
INCREASE [DECREASE] IN WORKING CAPITAL FOR THE YEAR	(398,697)	367,233
WORKING CAPITAL — BEGINNING OF YEAR	<u>2,705,490</u>	<u>2,338,257</u>
WORKING CAPITAL — END OF YEAR	<u><u>2,306,793</u></u>	<u><u>2,705,490</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1978

1. ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include CC Consolidated Computer International, Inc., the wholly-owned United States subsidiary, and La Compagnie Canadienne d'Informatique CCI Ltée, a wholly-owned Quebec subsidiary.

Foreign exchange

Current assets and current liabilities in foreign currencies have been converted to Canadian funds at the approximate year-end rate of exchange. The resulting gains or losses are included in the consolidated statement of earnings.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Fixed assets

Fixed assets are valued at cost, less accumulated depreciation. Depreciation is provided from the date the assets are put into service on a straight-line basis over the estimated useful life. Leasehold improvements are amortized over the life of the lease.

Sale of leased equipment

The agreement with the leasing company provides for certain additional amounts to be payable to the Company and its subsidiary. These amounts have not been recognized in the accounts, as they are payable only if the leasing company achieves certain performance levels. In addition, the companies have made loans to the leasing company in the amount of \$1,854,046 which have been fully provided for in the accounts.

2. INVENTORIES

	1978 \$	1977 \$
Marketing	2,858,958	2,190,371
Manufacturing, including work in process	4,692,583	3,708,153
Repair, overhaul and field service	2,308,628	1,688,638
	<u>9,860,169</u>	<u>7,587,162</u>

Under an inventory purchase agreement, an Ontario government agency purchases certain inventory components from the Company. The Company is obligated to repurchase these inventory components when they are shipped to its customers. The value of that inventory at December 31, 1978, which is not included in these financial statements, is \$1,444,343 (1977 — \$1,696,431).

3. FIXED ASSETS

	1978		1977
	Cost \$	Accumulated depreciation \$	Net \$
Equipment	2,428,922	1,968,530	460,392
KEY-EDIT 100 equipment on lease	373,970	373,970	—
Furniture, fixtures and leasehold improvements	1,190,350	701,801	488,549
	<u>3,993,242</u>	<u>3,044,301</u>	<u>948,941</u>
			<u>1,190,703</u>

4. BANK LOANS AND ADVANCES

Book debts, inventories and a series of floating charge debentures for \$10,000,000 have been given as security for loans and advances of \$14,810,247. The authorized bank line of credit is \$16,677,000 including the \$5,000,000 term loan (note 5). The \$10,000,000 series of floating charge debentures is subordinate to another \$10,000,000 floating charge debenture securing the notes payable of \$684,084.

5. LONG-TERM DEBT

	1978 \$	1977 \$
9% unsecured Series Two Notes, to mature \$254,358 per annum of principal amount payable on December 31 of each year from 1975 to 1980 and the balance on December 31, 1981	699,421	953,779
Bank term loan bearing interest at rates varying from prime plus ½ % to 1% repayable in semi-annual amounts of \$500,000 commencing June 30, 1979 secured by an assignment of book debts and pledge of inventory	5,000,000	5,000,000
	5,699,421	5,953,779
Less: Current portion	1,254,358	254,358
	<u>4,445,063</u>	<u>5,699,421</u>

Under the terms of a bank loan agreement the Company:

- (a) must maintain consolidated working capital of \$2,250,000;
- (b) may not exceed specified aggregate amounts of capital expenditures and lease commitments in any one year.

6. CAPITAL STOCK

The authorized common and special shares have been increased and decreased respectively by a like amount on conversion of special shares into common.

	Common shares of no par value		Convertible special shares without par value		Total shares	
	Shares	\$	Shares	\$	Shares	\$
Authorized	<u>20,478,566</u>		<u>1,771,434</u>		<u>22,250,000</u>	
Issued and fully paid	<u>17,944,532</u>	<u>22,310,223</u>	<u>589,565</u>	<u>841,571</u>	<u>18,534,097</u>	<u>23,151,794</u>

In any one year the non-voting convertible special shares are preferred as to the first 10¢ per share dividend declared. The common shares are entitled to the next 10¢ of dividend declared, and thereafter the two classes of shares participate equally in dividends declared.

From December 31, 1975 the holders of the convertible special shares are entitled to convert any or all of the non-voting special shares into common shares of the Company on a share-for-share basis. 81,285 special shares were converted during the year into 81,285 common shares.

On February 26, 1979 a revised employee stock option plan was approved reserving 1,000,000 common shares. The options are exercisable until 5 years after the date granted at an option price to be fixed by the Board of Directors at not less than 80% of market value.

Under an agreement Fujitsu Limited has received an option to purchase 1,000,000 common shares at a price equal to the greater of \$1.00 per share and the book value per share as at the end of the year preceding the exercise date. 1,000,000 common shares have been reserved for this option which expires June 30, 1979.

7. INCOME TAXES

At December 31, 1978, the Company and its U.S. subsidiary had significant losses to carry forward to apply against future profits to reduce income taxes.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Total remuneration paid to directors and senior officers as defined by The Business Corporations Act for the year was \$359,696.

9. LEASE COMMITMENTS

Total rentals paid for the year ended December 31, 1978 were \$775,646. Approximate future commitments for the next five years are:

1979	\$839,000
1980	769,000
1981	611,000
1982	456,000
1983	207,000

10. CONTINGENT LIABILITIES

At December 31, 1978 the Company was contingently liable for open letters of credit of \$177,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consolidated Computer Inc. as at December 31, 1978 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 23, 1979
Ottawa, Ontario

COOPERS & LYBRAND
Chartered Accountants

Corporate Directory

DIRECTORS

D.C. Early

Greenshields Inc.

D.C. Heuston

Vice President, Finance & Treasurer
Consolidated Computer Inc.

Rinzo Iwai

General Manager, Small Scale Computer Systems Division
Fujitsu Limited, Tokyo, Japan

J.H. Joyce

Chairman & Chief Executive Officer
Ontario Development Corporation

D. Kendall

Chairman, Enterprise Development Board

D.G. Kilgour

Partner, Kilgour, World, Flood & Beach

L.K. Sellmeyer

President & Chief Executive Officer
Consolidated Computer Inc.

J.H. Tory

Partner, Tory, Tory, Des Lauriers & Binnington

OFFICERS OF THE COMPANY

L.K. Sellmeyer

President & Chief Executive Officer

D.C. Heuston

Vice President, Finance & Treasurer

David M. Russenberger

Vice President, Engineering

W.H.C. Kooij

Vice President, Advanced Systems Development

D.G. Kilgour

Secretary

REGISTRAR AND TRANSFER AGENT

Royal Trust Company

BANKERS

The Toronto-Dominion Bank
First National Bank of Boston

AUDITORS

Coopers & Lybrand

SOLICITORS

Kilgour, World, Flood & Beach

OFFICES AND PLANT

Head Office and Manufacturing Plant

2421 Lancaster Road
Ottawa, Ontario K1B 4L5

CC Consolidated Computer International Inc.

1604 S. Edwards Drive
Tempe, Arizona 85281

La Compagnie Canadienne D'Informatique [C.C.I.] Ltée

2 Place Quebec, Suite 344
Quebec City, P.Q. G1R 2B5

SALES AND SERVICE LOCATIONS

Canada

Edmonton, Alta.
Fredericton, N.B.
Halifax, N.S.
Hamilton, Ont.
Kitchener, Ont.
London, Ont.
Montreal, P.Q.
Ottawa, Ont.
Quebec City, P.Q.
Regina, Sask.
Toronto, Ont.
Vancouver, B.C.
Winnipeg, Man.

U.S.A.

Anaheim, Cal.
Atlanta/Macon, Ga.
Boston, Mass.
Chicago, Ill.
Cleveland/Akron, Ohio
Columbus, Ohio
Dallas/Houston, Tex.
Encino, Cal.
New York, N.Y.
Philadelphia, Pa.
Phoenix, Ariz.
San Francisco, Cal.
Washington, D.C.

**INFORMATION CIRCULAR****SOLICITATION OF PROXIES**

This information circular is furnished in connection with the solicitation by the management of Consolidated Computer Inc. ("Corporation") of proxies to be used at the annual general meeting of shareholders of the Corporation to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that the solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by directors, officers and regular employees of the Corporation. The cost of soliciting proxies on behalf of management will be borne by the Corporation.

The accompanying proxy is solicited by the management of the Corporation.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the accompanying form of proxy are senior officers of the Corporation. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS SPECIFIED IN THE FORM OF PROXY. Such right may be exercised by inserting in the space provided in the form of proxy the name of the person to be appointed or by completing another proper form of proxy.

A shareholder executing the accompanying form of proxy has the power to revoke it at any time insofar as it has not been exercised.

The directors have fixed 12:00 noon (Toronto time) on June 19th, 1978 as the time before which proxies to be used at the meeting must be deposited with The Royal Trust Company, Corporate Trust Department, Royal Trust Tower, Toronto-Dominion Centre, Toronto.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the shares in respect of which they are appointed, in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED IN FAVOUR OF THE MATTER ON WHICH A CHOICE IS GIVEN. The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the time of printing this information circular the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting, other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of the date hereof 17,891,652.6 common shares without par value of the Corporation were outstanding. Each common share carries the right to one vote on all matters to come before the meeting and any adjournment thereof. As of the date hereof there were also 642,289.3 non-voting convertible special shares without par value of the Corporation outstanding. Holders of non-voting convertible special shares are not entitled to receive notice of or attend the meeting and are not entitled to vote at the meeting.

Common shareholders of record at the time of the taking of a vote on any matter to come before the meeting will be entitled to vote on such matter.

The following shareholders beneficially own directly or indirectly equity shares carrying over 10% of the voting rights attached to all equity shares of the Corporation:

Her Majesty the Queen in Right of Canada, c/o Enterprise Development Board, Place de Ville, 240 Sparks Street, Ottawa, Ontario is the owner of 9,425,668 (52.68%) of the outstanding common shares of the Corporation; Ontario Development Corporation, Mowat Block, Queen's Park, 900 Bay Street, Toronto, Ontario is the owner of 2,802,634 (15.66%) of the outstanding common shares of the Corporation; and Fujitsu Limited, 6-1 Marunouchi 2-Chome, Chiyoda-Ku, Tokyo, Japan is the owner of 4,000,000 (22.36%) of the outstanding common shares of the Corporation.

ELECTION OF DIRECTORS

The directors are elected annually to serve until the next annual meeting of shareholders or until their successors are elected or appointed. The persons named in the enclosed form of proxy intend to vote for the election of the eight nominees of management listed below. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote in favour of the remaining nominees and for substitute nominees of management.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Corporation now held by them, their principal occupations or employments, the dates on which they became directors of the Corporation and the number of shares of the Corporation beneficially owned directly or indirectly by each of them as of the date hereof:

Name and Principal Occupation	Present Position and Office with Corporation	Number of Shares Beneficially Owned		Appointed Director
		common	special	
D.C. Early Securities Salesman Greenshields Inc.	Director	nil	nil	Nov. 3, 1971
D.C. Heuston (1) Vice-President, Finance and Treasurer Consolidated Computer Inc.	Vice-President, Finance and Treasurer	nil	nil	nil
Rinzo Iwai General Manager Small Scale Computer Systems Division Fujitsu Limited.	Director	nil	nil	June 21, 1977
J.H. Joyce Chairman and Chief Executive Officer Ontario Development Corporation.	Director	nil	nil	Oct. 27, 1976
D.N. Kendall Chairman Enterprise Development Board Government of Canada.	Director	nil	nil	Nov. 25, 1976
D.G. Kilgour Partner, Kilgour World, Flood, Ronson & Rossiter, Barristers and Solicitors.	Secretary and Director	704.8	1,174.67	June 21, 1968
L.K. Sellmeyer President Consolidated Computer Inc.	President and Director	nil	nil	Jan. 28, 1976
J.M. Tory, Q.C. Partner, Tory, Tory DesLaurier & Binnington Barristers & Solicitors.	Director	nil	nil	Nov. 3, 1971

Note 1. D.C. Heuston has been Vice-President, Finance and Treasurer of Consolidated Computer Inc. since December 1976. From January, 1976 to December, 1976 he was Vice-President of the Northern Paint Division of Neonex Limited. From November, 1974 to January, 1976 he was a Commerce Officer with the Department of Industry, Trade and Commerce, Government of Canada, prior to which he was Controller of M. Loeb (London) Ltd.

REMUNERATION OF MANAGEMENT

During the financial year ended December 31, 1977, the aggregate direct remuneration paid or payable by the Corporation and its subsidiaries to the directors and senior officers of the Corporation was \$384,857.00. The Chairman of the Enterprise Development Board and the Chairman of Ontario Development Corporation received no remuneration.

Under his employment contract L.K. Sellmeyer, the President of the Corporation, is to receive an annual bonus equal to $3\frac{1}{3}\%$ of the pre-tax profits of the Corporation.

On July 1, 1977 Mr. Sellmeyer was granted an option to purchase 500,000 common shares of the Corporation at an exercise price of \$.15 per share. The option is exercisable only with respect to 100,000 shares a year plus any shares that were not acquired through the exercise of the option in previous years. The option expires on December 31, 1982. The price range of the shares in the thirty day period preceding the date of the granting of the option was \$.65 and \$.40.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Coopers & Lybrand, chartered accountants, as auditors of the Corporation to hold office until the next annual meeting of the shareholders and to authorize the directors of the Corporation to fix their remuneration. Coopers & Lybrand have been auditors of the Corporation since March 21, 1969.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Enterprise Development Board ("EDB"), an agency of the federal government, has insured 99% of \$30,000,000 of loans made in connection with third party lease financing for the Corporation. Under these lease financing arrangements the Corporation has sold leased KEY-EDIT equipment and assigned the leases relating thereto to a company specifically incorporated to carry out the lease financing arrangements. This company has paid for KEY-EDIT equipment acquired from the Corporation through loans from various lenders which are insured by EDB. A similar arrangement has been established for CC Consolidated Computer International, Inc., the Corporation's U.S. subsidiary. EDB has agreed in principle to insure 90% of further loans of up to \$30,000,000 to be made under the Corporation's lease financing arrangements.

Her Majesty the Queen in Right of Canada ("Canada"), Ontario Development Corporation ("ODC") and Fujitsu Limited ("Fujitsu"), a large Japanese computer company, entered into an Agreement with the Corporation dated as of December 20, 1976 under which Canada and ODC transferred to Fujitsu 3,300,000 common shares of the Corporation and the Corporation granted to Fujitsu an option, exercisable on or before March 8, 1979, to purchase 1,000,000 common shares of the Corporation at an option price equal to the greater of \$1.00 a share or book value. Under the Agreement, Fujitsu has agreed not to increase its percentage of outstanding common shares beyond 25%. As contemplated by the Agreement, Fujitsu and the Corporation entered into a second agreement made as of December 20, 1976 under which Fujitsu, for five years, will provide the Corporation with technological assistance and has appointed the Corporation exclusive distributor in Canada and non-exclusive distributor in the United States for certain Fujitsu products and has given the Corporation manufacturing rights to these products.

From January 1, 1977 to the date hereof EDB has insured new lines of credit in favour of the Corporation totalling \$1,377,000 (Canadian) and \$1,000,000 (U.S.). As insurer and guarantor, respectively, of the Corporation's loans and lines of credit, EDB and ODC also agreed to the subordination of the security for such loans and lines of credit in favour of the security for a new \$1,000,000 line of credit with the Corporation's bankers.

PARTICULARS OF MATTERS TO BE ACTED UPON

On May 23, 1978 the directors passed a special by-law increasing the number of directors from 7 to 8 and establishing a quorum for meetings of directors at 4. The directors wish to increase the board to create a vacancy to be filled by D.C. Heuston, Vice-President Finance and Treasurer of the Corporation. Mr. Heuston has been nominated as a director by management who consider it in the best interest of the Corporation that a second operating officer of the Corporation be a member of the board. To be effective, the special by-law must be confirmed by at least two-thirds of the votes cast at the annual general meeting.

Ottawa
May 23, 1978

L.K. Sellmeyer
President

